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**ANNUAL REPORT OF THE EIC SUBCOMMITTEE
ON INDUSTRIAL MACHINERY AND EQUIPMENT
FISCAL YEAR 1964**

A. Activities of the Subcommittee During Fiscal Year 1964

The Industrial Machinery and Equipment Subcommittee held no formal meetings during Fiscal Year 1964. Changes in committee membership, including the retirement of Mr. John Williams, Office of the Secretary of Defense, tended to disrupt the continuity of the Subcommittee's program.

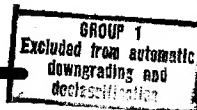
B. Evaluation of the Role of the Subcommittee

Over the years the CIA has done an increasing share of the economic intelligence research on the civilian machinery industries of the Communist countries. This has reduced the need for Subcommittee action on routine matters such as agreed basic statistics, and the review of substantive papers. More recently, however, research on the machinery sector has become increasingly concerned with the relation of machinery output to other sectors of the economy and the over-all economic and even political implications of this output. It is believed that there are a number of areas in which the Industrial Machinery Subcommittee can support this research. It is expected, therefore, that the Subcommittee will be active in the forthcoming months, first, to investigate its potential for increased effectiveness in handling problems of common concern and, second, to improve its capability for responding to any specific problem calling for interagency coordination.

C. Future Program of the Subcommittee

At an early date the Subcommittee will meet to permit committee members to become personally familiar with other members, and to be briefed on the extent of the interest of each agency in industrial machinery, especially that interest which bears on the Communist countries. As an outcome of these meetings it is expected that the Subcommittee will be able to pick several areas that appear to have the potential for a fruitful exchange of views. Discussions within the committee will undoubtedly suggest other areas of common interest, however, possibilities include:

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- (1) A review of external research projects in its field of responsibility that are presently being sponsored by various government agencies.
- (2) The technological gain that the USSR is acquiring from the purchase of Western industrial technology, a subject in which Commerce participation would be especially helpful.
- (3) The importance of Soviet exports of machinery to the under-developed countries, a subject which would be of special interest to the State Department.
- (4) The preparation of an authoritative interagency position on the capabilities of the Soviet machine tool industry based upon information resulting from the proposed US-USSR machine tool exchange.
- (5) A review of our outstanding gaps in intelligence and an updating of these gaps.

- 2 -

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